

OPEN MEETING ITEM

ORIGINAL

COMMISSIONERS
MIKE GLEASON - Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE



0000082811

REC

ARIZONA CORPORATION COMMISSION

AZ CORP COMMISSION
DOCKET CONTROL

DATE: MARCH 21, 2008

DOCKET NOS: SW-20494A-06-0769 and W-20495A-06-0769

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Sarah Harpring. The recommendation has been filed in the form of an Opinion and Order on:

GLOBAL WATER – PICACHO COVE UTILITIES COMPANY and
GLOBAL WATER – PICACHO COVE WATER COMPANY
(CC&N)

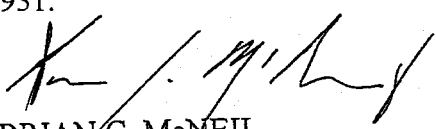
Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and ten (10) copies of the exceptions with the Commission's Docket Control at the address listed below by 4:00 p.m. on or before:

MARCH 31, 2008

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Working Session and Open Meeting to be held on:

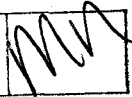
APRIL 8, 2008 and APRIL 9, 2008

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602)542-4250. For information about the Open Meeting, contact the Executive Secretary's Office at (602) 542-3931.


BRIAN C. McNEIL
EXECUTIVE DIRECTOR

Arizona Corporation Commission
DOCKETED

MAR 21 2008

DOCKETED BY 

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 MIKE GLEASON, Chairman
4 WILLIAM A. MUNDELL
5 JEFF HATCH-MILLER
6 KRISTIN K. MAYES
7 GARY PIERCE

8 IN THE MATTER OF THE APPLICATION OF
9 GLOBAL WATER-PICACHO COVE UTILITIES
10 COMPANY FOR A CERTIFICATE OF
11 CONVENIENCE AND NECESSITY.

DOCKET NO. SW-20494A-06-0769

12 IN THE MATTER OF THE APPLICATION OF
13 GLOBAL WATER-PICACHO COVE WATER
14 COMPANY FOR A CERTIFICATE OF
15 CONVENIENCE AND NECESSITY.

DOCKET NO. W-20495A-06-0769

DECISION NO. _____

OPINION AND ORDER

16 DATE OF HEARING: December 20, 2007

17 PLACE OF HEARING: Phoenix, Arizona

18 ADMINISTRATIVE LAW JUDGE: Sarah N. Harpring

19 APPEARANCES: Mr. Michael W. Patten and Mr. Timothy J. Sabo,
20 ROSKA DEWULF & PATTEN, on behalf of Global
21 Water—Picacho Cove Utilities Co. and Global Water—
22 Picacho Cove Water Co.; and

23 Ms. Robin Mitchell, Staff Attorney, Legal Division, on
24 behalf of the Utilities Division of the Arizona
25 Corporation Commission.

26 **BY THE COMMISSION:**

27 On December 8, 2006, Global Water – Picacho Cove Utilities Company (“Picacho Utilities”)
28 and Global Water – Picacho Cove Water Company (“Picacho Water”) (collectively “Picacho”) filed
with the Arizona Corporation Commission (“Commission”) a joint application for Certificates of
Convenience and Necessity (“CC&N”) to provide water and wastewater services in Pinal County,
Arizona.

Between January 8, 2007, and July 27, 2007, the Commission’s Utilities Division Staff
 (“Staff”) issued two Insufficiency Letters, and Picacho made multiple filings to supplement and
 amend information in its application.

On May 15, 2007, the City of Eloy filed a letter objecting to Picacho’s application.

1 On October 3, 2007, Staff filed a Sufficiency Letter indicating that Picacho's application had
2 met the sufficiency requirements outlined in the Arizona Administrative Code ("A.A.C.").

3 On November 1, 2007, a Procedural Order was issued scheduling a hearing in this matter for
4 December 20, 2007, and establishing other procedural deadlines.

5 On November 21, 2007, a Staff Report was filed, recommending approval of the joint
6 application with conditions.

7 On November 26, 2007, Picacho filed an Affidavit of Publication and an Affidavit of Proof of
8 Mailing.

9 Picacho filed objections to the Staff Report on December 5, 2007, and supplemental
10 objections to the Staff Report on December 18, 2007.

11 On December 20, 2007, a full public hearing was held before a duly authorized
12 Administrative Law Judge of the Commission at its offices in Phoenix, Arizona. Picacho and Staff
13 appeared through counsel and presented evidence and testimony. At the hearing, Picacho and Staff
14 were both directed to file late-filed exhibits by January 11, 2008. Picacho indicated that it might not
15 be able to file one of the late-filed exhibits, a letter from the City of Eloy, by that deadline. Picacho
16 stated that, in that event, it would file something indicating when the letter could be filed.

17 On January 10, 2008, Staff filed its late-filed exhibits, including revised recommendations and
18 revised rate design schedules.

19 On January 11, 2008, Picacho filed all of its late-filed exhibits except for the letter from the
20 City of Eloy. Picacho indicated that it might take several weeks to obtain the letter and that Picacho
21 would submit the letter upon receipt.

22 On January 24, 2008, a Procedural Order was issued requiring Picacho to file, by February 1,
23 2008, an explanation concerning part of one of its hearing Exhibits. The Procedural Order also
24 required Staff to file, by February 11, 2008, a response to Picacho's filing and suspended the time
25 clock from January 11, 2008, until the later of February 11, 2008, or the date of filing the letter from
26 the City of Eloy.

27 On January 28, 2008, Staff filed a change to its revised recommendations that had been
28 inadvertently omitted from its late-filed exhibit. The filing changed Staff's recommendation related

1 to compliance with the U.S. Environmental Protection Agency's ("EPA's") arsenic standard.

2 On January 29, 2008, Staff filed Errata to its late-filed exhibits.

3 On February 1, 2008, at Staff's request, a telephonic procedural conference was held to
4 discuss Staff's late-filed exhibits. Picacho and Staff participated through counsel. During the
5 procedural conference, additional changes to be made in Staff's late-filed exhibits were identified.

6 Also on February 1, 2008, Picacho filed a response to the Procedural Order of January 24,
7 2008, explaining that the additional area described in its Exhibit was not intended to be part of the
8 CC&N area requested by Picacho and providing additional information regarding the City of Eloy.

9 On February 4, 2008, Staff filed Errata that included new Schedules CSB-W5 and CSB-
10 WW5, per the procedural conference on February 1, 2008.

11 On February 8, 2008, at the Hearing Division's request, a telephonic procedural conference
12 was held to discuss Staff's and Picacho's recommended rate designs. Picacho and Staff participated
13 through counsel. Several issues that required correction or clarification were discussed, and Staff and
14 Picacho agreed that additional information would be filed by February 15, 2008, to resolve the issues.

15 On February 12, 2008, Staff filed a response to Picacho's February 1, 2008, filing.

16 On February 14, 2008, Staff filed Staff's Revised Rate Design Schedules, including new
17 Schedules CSB-W5 and CSB-WW5.

18 * * * * *

19 Having considered the entire record herein and being fully advised in the premises, the
20 Commission finds, concludes, and orders that:

21 **FINDINGS OF FACT**

22 1. Picacho Utilities and Picacho Water incorporated in Arizona in May 2006 and are
23 wholly-owned subsidiaries of Global Water, Inc., which itself is a wholly-owned subsidiary of Global
24 Water Resources, LLC. Through Global Water, Inc. and Global Water Resources, LLC, Picacho is
25 affiliated with more than a dozen Arizona public service corporations providing water and/or
26 wastewater services.

27 2. On December 8, 2006, Picacho filed with the Commission a joint application for
28 CC&Ns to provide water and wastewater services in Pinal County, Arizona. The legal description for

1 the requested CC&N area was amended by a filing made on January 31, 2007.

2 3. On June 5, 2007, Picacho filed an amended application that included corrected
3 versions of its pro-forma financial statements and proposed rate schedules. Picacho subsequently
4 filed revised pro-forma financial statements and proposed rate schedules.

5 4. On October 3, 2007, Staff issued a Sufficiency Letter stating that the joint application
6 had met the requirements in the A.A.C.

7 5. On November 1, 2007, a Procedural Order was issued scheduling a hearing in this
8 matter for December 20, 2007, and establishing other procedural deadlines.

9 6. On November 21, 2007, a Staff Report was filed, recommending approval of the joint
10 application with conditions.

11 7. Also on November 21, 2007, Picacho filed an Affidavit of Publication showing that
12 public notice of Picacho's Application and the hearing had been published in the *Casa Grande*
13 *Dispatch* on November 9, 2007, and an Affidavit of Proof of Mailing stating that public notice of
14 Picacho's Application and the hearing had been mailed to each property owner in the requested
15 CC&N area on November 12, 2007.

16 8. Picacho filed objections to the Staff Report on December 5, 2007, and supplemental
17 objections to the Staff Report on December 18, 2007.

18 9. On December 20, 2007, a full public hearing in this matter was held before a duly
19 authorized Administrative Law Judge of the Commission at its offices in Phoenix, Arizona. Picacho
20 and Staff appeared through counsel and presented evidence and testimony. Two individuals
21 representing the property owners for the requested CC&N area provided public comment in support
22 of Picacho's application. Both Picacho and Staff were directed to file late-filed exhibits by January
23 11, 2008.

24 10. On January 10, 2008, Staff filed its late-filed exhibits, including revised
25 recommendations and revised rate design schedules.

26 11. On January 11, 2008, Picacho filed all of its late-filed exhibits except for the letter
27 from the City of Eloy. Picacho indicated that it could take several weeks to obtain the letter and that
28 it would file it upon receipt.

1 12. On January 24, 2008, a Procedural Order was issued requiring Picacho to file, by
2 February 1, 2008, an explanation concerning part of one of its hearing Exhibits.¹ The Procedural
3 Order also required Staff to file, by February 11, 2008, a response to Picacho's filing and suspended
4 the time clock from January 11, 2008, until the later of February 11, 2008, or the date of filing the
5 letter from the City of Eloy.

6 13. On January 28, 2008, Staff filed a change to its revised recommendations that had
7 been inadvertently omitted from its late-filed exhibit. The filing changed Staff's recommendation
8 related to compliance with the EPA's arsenic standard.

9 14. On January 29, 2008, Staff filed Errata to its late-filed exhibits.

10 15. On February 1, 2008, at Staff's request, a telephonic procedural conference was held
11 to discuss Staff's late-filed exhibits. Picacho and Staff participated through counsel. During the
12 procedural conference, additional changes to be made in Staff's late-filed exhibits were identified.

13 16. Also on February 1, 2008, Picacho filed a response to the Procedural Order of January
14 24, 2008, explaining that the additional area described in its Exhibit was not intended to be part of the
15 CC&N area requested by Picacho. Picacho also provided additional information concerning the letter
16 from the City of Eloy.

17 17. On February 4, 2008, Staff filed Errata that included new Schedules CSB-W5 and
18 CSB-WW5, per the procedural conference on February 1, 2008.

19 18. On February 8, 2008, at the Hearing Division's request, a telephonic procedural
20 conference was held to discuss Staff's and Picacho's recommended rate designs. Picacho and Staff
21 participated through counsel. Several issues that required correction or clarification were discussed,
22 and Staff and Picacho agreed that additional information would be filed by February 15, 2008, to
23 resolve the issues.

24 19. On February 12, 2008, Staff filed a response to Picacho's February 1, 2008, filing,
25 indicating that Staff is satisfied that the application properly requests and describes the CC&N area;

26 ¹ Exhibit A-2 included a December 19, 2007, letter to Picacho from LLF Picacho Citrus, LLC, and Langley Picacho
27 Views 160, LLC, in which both requested water and wastewater service to approximately 680 acres described in
28 attachments to the letter. The first attachment to the letter includes the following legal description: "The Northeast
quarter of Section 14, Township 8 South, Range 8 East of the Gila and Salt River Base and Meridian, Pinal County,
Arizona." This area is not included in the requested CC&N area.

1 that Staff places little weight on whether the City of Eloy objects to the issuance of a CC&N to
2 Picacho; that Staff believes it is not necessary to have a letter from the City of Eloy to proceed in this
3 matter; and that Staff recommends that the matter proceed and that Picacho be granted a CC&N
4 subject to the conditions recommended by Staff.

5 20. On February 14, 2008, Staff filed Staff's Revised Rate Design Schedules, including
6 new Schedules CSB-W5 and CSB-WW5.

7 21. The requested CC&N area is approximately 1,480 acres (approximately 2.3 square
8 miles) and is comprised of 11 separate parcels, as described and shown in Exhibit A, attached hereto,
9 making up two distinct geographic areas approximately one mile apart at the closest point. The
10 smaller area ("Area 1") occupies the southern one-half of Section 36, Township 7 South, Range 8
11 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona. The larger area ("Area 2")
12 occupies all of Section 7, approximately three-quarters of Section 18, and one-sixteenth of Section 8,
13 Township 8 South, Range 9 East of the Gila and Salt River Base and Meridian, Pinal County,
14 Arizona.

15 22. Area 1 is jointly owned by LLF Picacho Citrus, LLC, and Langley Picacho Views
16 160, LLC, both of whom also share ownership of small portions of Area 2. The bulk of Area 2 is
17 owned by Picacho Citrus 930, LLC. The ownership of the requested CC&N area is shown in Exhibit
18 B-1, attached hereto.

19 23. Both Area 1 and Area 2 are located within approximately three miles (to the northeast)
20 of the I-10. The western border of Area 1 is approximately three miles east of the Eloy city limits,
21 and the western border of Area 2 is approximately four miles east of the Eloy city limits. Both Area
22 1 and Area 2 are within the planning area for the City of Eloy.

23 24. On May 15, 2007, the City of Eloy's Department of Public Works filed a letter signed
24 by Doug Olson, the City's Water/Wastewater System Manager, asserting that the City objected to
25 Picacho's Application because the proposed CC&N area is surrounded by the City's planning area,
26 several of the owners of property in the proposed CC&N area had met with the City to discuss
27 annexation, and the City intended to serve those properties and others in its planning area after the
28 annexation was complete.

1 25. No representative of the City of Eloy attended the hearing on December 20, 2007. At
2 the hearing, Trevor Hill, President and Chief Executive Officer of Global Water Management and
3 President of Picacho Utilities and Picacho Water, testified that Picacho had held numerous meetings
4 and discussions with counsel for the City of Eloy and that the City of Eloy no longer objects to
5 Picacho's application. (Tr. at 15, lines 1-15.) At the hearing, Picacho was directed to file a letter to
6 that effect from the City of Eloy as a late-filed exhibit.

7 26. On January 14, 2008, in its late-filed exhibits filing, Picacho stated that it had not been
8 able to get a letter from the City of Eloy due to the press of business at the City, but that Picacho
9 would submit the letter upon receipt.

10 27. In its filing on February 1, 2008, Picacho explained that Picacho and the City of Eloy
11 are in discussions that may lead to a "Public Private Partnership" agreement. Picacho asserted that a
12 letter from the City of Eloy is not required, that Staff recommended approval of its application
13 regardless of the earlier objection letter filed by the City of Eloy, that the requested CC&N area is not
14 within the Eloy city limits, and that the absence of a new letter from the City of Eloy is not cause for
15 delay in this matter. Staff also stated in its February 12, 2008, filing that it does not believe that a
16 letter from the City of Eloy is required to proceed in this matter and that it gives little weight to
17 whether the City of Eloy objects to the issuance of a CC&N to Picacho.

18 28. Although the City of Eloy has not filed a letter withdrawing its objection to Picacho's
19 application, the City's failure to participate further in this docket and Picacho's assertions regarding
20 discussions between the two lead us to conclude that the City of Eloy no longer objects to Picacho's
21 application. As it cannot be determined how long it may take the City of Eloy to provide Picacho a
22 letter withdrawing its objection, or whether such a letter will be made available at all, additional
23 delay in considering Picacho's application is not warranted to await the filing of such a letter.

24 **Picacho's Fitness and Properness to Obtain a CC&N**

25 29. According to the Staff Report, the Global family of companies owns substantial utility
26 assets, and Global has recently issued Pima County Industrial Development Bonds, which indicates
27 access to financial markets. Based on these factors, Staff believes that Picacho, as a member of the
28 Global family of companies, will have the financial capability to provide the requested services.

1 30. Picacho Water and Picacho Utilities are both in good standing with the Commission's
2 Corporations Division.

3 31. According to the Staff Report, Staff believes that Picacho is a fit and proper entity to
4 operate water and wastewater utilities.

5 32. Staff testified that Picacho Water and Picacho Utilities both are capable of providing
6 service to the requested CC&N area. (Tr. at 111, lines 4-10.)

7 **Need for Service**

8 33. The three property owners for the CC&N area, identified in Finding of Fact No. 22,
9 formally requested water and wastewater utility service from Picacho in letters dated December 18
10 and 19, 2007.

11 34. The owners intend to develop the land primarily for single-family residential purposes,
12 with only a small portion to be developed for commercial purposes, as shown in Exhibit B-2,
13 attached hereto.

14 35. Picacho projects that it will serve 251 customers during the first year of operations;
15 2,002 customers by the end of the fifth year of operations; and 5,300 equivalent dwelling units at
16 build-out.

17 **Water Facilities**

18 36. According to the Staff Report, Picacho Water plans to construct two wells, one million
19 gallons of storage, booster systems, and approximately 50,160 lineal feet of transmission and
20 distribution mains.

21 37. Picacho Water estimates that the cost of the plant in service at the end of the fifth year
22 will be \$9.9 million. Staff has reviewed the proposed total water plant-in-service and found the plant
23 facilities and cost to be reasonable and appropriate. Staff has not made any "used and useful"
24 determination of the proposed plant in service, and no conclusions should be inferred for future
25 ratemaking or rate base purposes.

26 **Wastewater Facilities**

27 38. According to the Staff Report, Picacho Utilities plans to construct its water
28 reclamation facility in phases. The initial phase will include a 0.4 million gallon per day ("MGD")

1 facility followed by additional facilities comprising up to 1.0 MGD by the end of the fifth year. The
2 1.0 MGD water reclamation facility will use the sequencing batch reactor treatment method, and the
3 collection system will consist of approximately 17,400 lineal feet of mains. Picacho Utilities also
4 proposes to construct a reclaimed water system that will consist of approximately 21,100 lineal feet
5 of force mains used for irrigation and two recharge wells.

6 39. Picacho Utilities estimated the cost of the wastewater plant-in-service at the end of the
7 fifth year of operations at \$14.4 million. Staff's estimate for the same period was \$13.7 million, due
8 to Staff's correction of a clerical error in Picacho's spreadsheet. With the correction made by Staff,
9 Staff found the plant facilities and cost to be reasonable and appropriate. Staff has not made any
10 "used and useful" determination of the proposed plant in service, and no conclusions should be
11 inferred for future ratemaking or rate base purposes.

12 **Financing of Infrastructure**

13 40. Mr. Hill testified that the off-site infrastructure (treatment plants, water reclamation
14 facilities, and all backbone infrastructure) will be financed by equity, while the on-site facilities for
15 each parcel will be funded by advances in aid of construction provided by the developers. (Tr. at 14,
16 lines 1-9.) Mr. Hill further testified that the parent company will provide 100% of the equity for
17 Picacho's operating funds in the beginning, (Tr. at 24, lines 6-11), and will provide equity to Picacho
18 as needed to meet the demand in the CC&N area, (Tr. at 14, lines 10-13). Mr. Hill explained that
19 Global Water is financed by private investors and also by retained earnings of the company and that
20 its equity is provided by Mr. Bill Levine, who is the primary shareholder. (Tr. at 19, lines 17-25; Tr.
21 at 20, lines 1-2.)

22 41. With the joint application, in support of the need for service in the CC&N area,
23 Picacho included copies of two infrastructure coordination and finance agreements ("ICFAs"). The
24 first ICFA, entered into on October 16, 2006, is between Global Water Resources, LLC, and LLF
25 Picacho Citrus, LLC, and Langley Picacho Views 160, LLC. The second ICFA, entered into on
26 January 20, 2006, is between Global Water Resources, LLC, and Picacho Citrus 930, LLC. Mr. Hill
27 testified that the ICFAs relate to Global's financing of the off-site infrastructure. (Tr. at 21, lines 21-
28 23.) Mr. Hill explained that the ICFA is a financing structure that allows Global to build regional

1 water conservation infrastructure by getting the developer out of the planning and construction
 2 processes for building infrastructure; Global instead makes the commitment to finance with its own
 3 equity all of the facilities that it deems necessary for the regional plan, including the provision of
 4 reclaimed water, surface water treatment, and large sophisticated water reclamation facilities that are
 5 built to a size that allows for economies of scale. (Tr. at 25, lines 3-25; Tr. at 26, lines 1-5.) Mr. Hill
 6 testified that a small portion of the ICFA fees are paid at the time of the start work, and the majority
 7 of the fees are paid at the time of final plat. (Tr. at 28, lines 3-7.)

8 42. Mr. Hill testified that it is appropriate to proceed to a Decision in this matter although
 9 the handling of ICFAs has not been resolved in the other Commission dockets² dealing with ICFAs
 10 because the ICFA has a very specific purpose, meets a need that is presently otherwise unserved, and
 11 is in the public interest. (Tr. at 30, lines 10-21.) In addition, Mr. Hill testified that Picacho believes
 12 that the ICFA issue can be dealt with in the context of a future rate proceeding after the outcome of
 13 the generic docket is known. (Tr. at 30, lines 22-25.) Mr. Hill testified that he believes the ICFAs
 14 are legal and that Picacho is aware of and accepts the risk that the ICFA fees may ultimately be
 15 treated as contributions in aid of construction. (Tr. at 31, lines 8-19.) Mr. Hill testified that, in his
 16 opinion, the risk that the agreements will ultimately be declared unlawful is very remote. (Tr. at 31,
 17 lines 20-25; Tr. at 32, lines 1-5.) According to Mr. Hill, Global Water Resources is not a public
 18 service company and can enter into an agreement with a developer at any time. (*Id.*)

19 43. Staff testified that it is important to grant the CC&N in this matter, in spite of the
 20 unresolved ICFA issue, because there are requests for service. (Tr. at 120, lines 11-14.) Staff stated
 21 that if this matter were to be held up because of the unresolved ICFA issue, the same thing would
 22 have to be done in several other cases. (Tr. at 120, lines 14-17.) Further, Staff testified that Global is
 23 a big presence in Pinal County and that the impact of holding up its cases would be just to stop any
 24 extensions in the territory that Global wants to serve or where developers have requested service,
 25 based on an accounting determination. (Tr. at 120, lines 18-23.) Staff also testified that the risk that
 26 Picacho has accepted is that when Picacho comes in for a rate case, Picacho would not earn a return

27 ² The issue of ICFAs is being considered in a generic docket (Docket No. W-00000C-06-0149) and in a docket
 28 involving a complaint filed by Arizona Water Company against a number of Global companies (Docket No. W-01445A-
 06-0200 et al.).

1 on any plant that the Commission has determined was financed by contributions. (Tr. at 122, lines 2-
2 8.) Staff testified that it does not believe that it is premature to grant a CC&N in this case because the
3 resolution of the generic docket and complaint docket could take two years, and it is not only Picacho
4 that would be affected by the delay—it would also affect the communities around the areas Picacho
5 wants to service, it could affect growth, and it could affect real estate prices. (Tr. at 124, lines 21-25;
6 Tr. at 125, lines 1-7.) Staff also testified as to its understanding that the cases in which stays have
7 been issued because of the unresolved ICFA issue are those cases in which Arizona Water Company
8 is also involved. (Tr. at 121, lines 5-8.)

9 44. It is appropriate to proceed to an Order rather than issuing a stay until the ICFA issue
10 is resolved for the following reasons: (1) Resolution of the ICFA issue could take some time. (2)
11 Picacho has requests for service from property owners who desire to begin developing their
12 properties within approximately the next year. (3) Picacho is aware of and has chosen to assume the
13 risk of having its ICFAs declared unlawful or of having its ICFA funds characterized as contributions
14 in aid of construction rather than equity. (4) Staff supports proceeding to an Order in this matter. (5)
15 No other company has requested a stay in this matter.

16 45. An unexecuted Water Facilities Extension Agreement between Picacho Water and an
17 unspecified developer and an unexecuted Sewer Facilities Extension Agreement between Picacho
18 Utilities and an unspecified developer were attached to each ICFA. Mr. Hill testified that the
19 Extension Agreements are standard line extension agreements that represent the on-site advances in
20 aid of construction and stand apart from the ICFAs. (See Tr. at 21, lines 12-25; Tr. at 22, line 1.) Mr.
21 Hill further testified that Picacho intends to complete and execute the Extension Agreements before
22 the commencement of construction, which is expected to occur in 2009. (Tr. at 22, lines 2-8.)

23 46. Staff has determined that Picacho Water and Picacho Utilities both have the financial
24 capability to provide service. (Tr. at 103, lines 19-23.)

25 Rates

26 47. According to the Staff Report, Picacho's application included outdated charges for
27 service line and meter installation. Staff recommended the lower end of Staff's updated range of
28 charges instead.

1 48. Staff has recommended that Picacho charge Staff's recommended rates and charges as
2 shown below, including separate installation charges for Picacho Water service line and meter
3 installations, and that Picacho be permitted to collect from its customers a proportionate share of any
4 privilege, sales, or use tax.

5 49. According to the Staff Report, Staff's recommended water rates are based on Picacho
6 Water's fifth-year projections. Staff's recommended projected revenue of \$1,455,414 would
7 generate operating income of \$438,163, resulting in a 7.22 percent rate of return on a Staff-adjusted
8 original cost rate base ("OCRB") of \$6,051,185.

9 50. According to the Staff Report, Staff's recommended wastewater rates are based on
10 Picacho Utilities' fifth-year projections. Staff's recommended projected revenue of \$2,144,951
11 would generate operating income of \$579,850, resulting in a 7.22 percent rate of return on a Staff-
12 adjusted OCRB of \$8,031,157.

13 51. In its objections to the Staff Report, Picacho included revised proposed rates and
14 charges for Picacho Water.³ The water rates and charges as proposed by Picacho and by Staff are as
15 follows:

16 ...

17 ...

18 ...

19 ...

20 ...

21 ...

22 ...

23 ...

24 ...

25 ...

26 _____
27 ³ In its objections to the Staff Report, Picacho Water urged inclusion of an irrigation rate in its rate design. Picacho
28 subsequently withdrew the request for an irrigation rate through counsel during the hearing in this matter. (Tr. at 86, lines 5-11.)

MONTHLY CUSTOMER CHARGE

	<u>Picacho</u>	<u>Staff</u>
5/8" x 3/4" Meter	\$27.00	\$27.00
3/4" Meter	\$27.00	\$27.00
1" Meter	\$73.75	\$73.75
1½" Meter	\$147.50	\$147.50
2" Meter	\$236.00	\$236.00
3" Meter	\$472.00	\$472.00
4" Meter	\$737.50	\$737.50
6" Meter	\$1,475.00	\$1,475.00

Gallons Included in Monthly Customer Charge	0	0
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COMMODITY CHARGES – PER 1,000 GALLONS OF USAGE

	<u>Picacho</u>	<u>Staff⁴</u>
5/8" x 3/4" & 3/4" Meter (Residential)		
From 1 to 3,000 Gallons	\$2.80	\$2.50
From 3,001 to 8,000 Gallons	\$3.80	\$4.00
Over 8,000 Gallons	\$4.72	\$5.00
5/8" x 3/4" & 3/4" Meter (Commercial & Industrial)		
From 1 to 8,000 Gallons	\$3.80	\$4.00
Over 8,000 Gallons	\$4.72	\$5.00
1" Meter (Residential, Commercial, & Industrial)		
From 1 to 25,000 Gallons	\$3.80	\$4.00
Over 25,000 Gallons	\$4.72	\$5.00
1½" Meter (Residential, Commercial, & Industrial)		
From 1 to 50,000 Gallons	\$3.80	\$4.00
Over 50,000 Gallons	\$4.72	\$5.00
2" Meter (Residential, Commercial, & Industrial)		
From 1 to 80,000 Gallons	\$3.80	\$4.00
Over 80,000 Gallons	\$4.72	\$5.00
3" Meter (Residential, Commercial, & Industrial)		
From 1 to 150,000 Gallons	\$3.80	\$4.00
Over 150,000 Gallons	\$4.72	\$5.00
4" Meter (Residential, Commercial, & Industrial)		
From 1 to 250,000 Gallons	\$3.80	\$4.00
Over 250,000 Gallons	\$4.72	\$5.00
6" Meter (Residential, Commercial, & Industrial)		
From 1 to 500,000 Gallons	\$3.80	\$4.00
Over 500,000 Gallons	\$4.72	\$5.00

SERVICE LINE AND METERINSTALLATION CHARGES

(Refundable pursuant to A.A.C. R14-2-405)

			<u>Staff</u>	
	<u>Picacho</u>	<u>Services</u>	<u>Meters</u>	<u>Total</u>
5/8" x 3/4" Meter	\$440	\$355	\$85	\$440
3/4" Meter	\$520	\$355	\$165	\$520
1" Meter	\$610	\$405	\$205	\$610
1½" Meter	\$855	\$440	\$415	\$855
2" Meter (Turbine)	\$1,515	\$600	\$915	\$1,515
2" Meter (Compound)	\$2,240	\$600	\$1,640	\$2,240
3" Meter (Turbine)	\$2,195	\$775	\$1,420	\$2,195
3" Meter (Compound)	\$3,030	\$815	\$2,215	\$3,030
4" Meter (Turbine)	\$3,360	\$1,110	\$2,250	\$3,360
4" Meter (Compound)	\$4,315	\$1,170	\$3,145	\$4,315
6" Meter (Turbine)	\$6,115	\$1,670	\$4,445	\$6,115
6" Meter (Compound)	\$7,890	\$1,710	\$6,180	\$7,890

SERVICE CHARGES:

	<u>Picacho</u>	<u>Staff</u>
Establishment of Service		
During Normal Business Hours	\$30.00	\$30.00
After Hours	\$50.00	\$50.00
Reestablishment of Water Utility Service (Within 12 Months of Service Disconnection)		
During Normal Business Hours	**	**
After Hours	**	** + \$50.00
Reconnection of Water Utility Service		
During Normal Business Hours	\$30.00	\$30.00
After Hours	\$50.00	\$50.00
Disconnection of Water Utility Service	\$25.00	\$0
Meter Test (If Correct)	\$20.00	\$20.00
Customer Deposit (Residential & Nonresidential)	*	*
Deposit Interest	*	*
NSF Check Charge	\$35.00	\$35.00
Deferred Payment (Per Month)	1.50%	1.50%
Late Payment Charge for Delinquent Bill (Per Month)	1.50%	(c)
Meter Re-Read (If Correct)	\$25.00	\$25.00
Customer Requested Meter Relocation	(a)	(a)
Late Charge Per Month	1.50%	1.50%
Fire Sprinkler, Monthly Service Charge	N/A	(b)

* Per Commission Rules (R14-2-403(B))

** Per Rule R14-2-403(D)—Months off system times monthly minimum

(a) Cost to include parts, labor, overhead, and all applicable taxes, including income tax if applicable

(b) One percent (1%) of monthly minimum for a comparable sized meter connection, but no less than \$5.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

(c) Staff considers this charge a duplication of the "Late Charge Per Month."

52. In its objections to the Staff Report, Picacho proposed that the rate for the non-discretionary first-tier commodity charge for small residential water users be moved from \$2.50 per 1,000 gallons to \$2.80 per 1,000 gallons to allow the collective rates to encourage conservation and the maximum use of reclaimed water, as Picacho Utilities' proposed rate for reclaimed water is \$2.76 per 1,000 gallons. Picacho reasoned that having a lower first-tier rate for potable water could make use of reclaimed water less desirable because of its higher cost to consumers. To maintain Staff's overall recommended revenue requirement, Picacho also proposed downward adjustments to Staff's second- and third-tier commodity charges throughout, from \$4.00 to \$3.80 and from \$5.00 to \$4.72. Although Staff made other adjustments to its recommendations as a result of Picacho's objections, Staff testified that its opinion regarding the appropriate rates for the non-discretionary commodity charges had not changed. (Tr. at 103, lines 14-18.)

53. Picacho's proposed adjustments to the commodity charges for potable water for small residential customers would result in only negligible differences in charges to a small residential customer,⁵ but could incentivize use of reclaimed water over potable water where possible, such as for landscape irrigation, because of the slightly reduced price per gallon for reclaimed water. Because the Commission is concerned about water conservation and desires to encourage use of reclaimed water where appropriate, and adopting Picacho's recommended rates for small residential customers will have only a negligible effect on consumer charges, we adopt Picacho's recommended commodity charges for small residential customers. However, we do not adopt Picacho's proposed adjustments to the second- and third-tier commodity charges for customers other than small residential customers, as those customers will already have an incentive to use reclaimed water over potable water under rates consistent with Staff's recommended rates and charges.

54. The wastewater rates and charges proposed by Picacho and by Staff are as follows:

MONTHLY CUSTOMER CHARGE

	Picacho	Staff
5/8" x 3/4" Meter	\$62.00	\$80.00
3/4" Meter	\$62.00	\$80.00
1" Meter	\$155.00	\$200.25
1½" Meter	\$310.00	\$400.50

⁵ Assuming monthly usage of 8000 gallons, Picacho's recommended rates would result in an overall charge of \$54.40, whereas Staff's recommended rates would result in an overall charge of \$54.50.

2" Meter	\$496.00	\$640.75
3" Meter	\$992.00	\$1201.25
4" Meter	\$1,550.00	\$2002.00
6" Meter	\$3,100.00	\$4004.25

RECLAIMED WATER SALES

Reclaimed Water, per acre foot (for general irrigation)	\$900.00	\$900.00
Reclaimed Water, per 1,000 gallons (for general irrigation)	\$2.76	\$2.76

SERVICE CHARGES

Establishment of Service		
During Normal Business Hours	\$30.00	\$30.00
After Hours	\$50.00	\$50.00
Reestablishment of Wastewater Utility Service (Within 12 Months of Service Disconnection)	**	**
Reconnection of Wastewater Utility Service	\$30.00	\$30.00
After Hours Service Charge, Per Hour	\$50.00	\$0
After Hours Service Charge, Flat Rate	N/A	\$50.00
Minimum Security Deposit	2 x Monthly Bill	*
NSF Check Charge	\$35.00	\$35.00
Late Payment Charge for Delinquent Bill (Per Month)	1.50%	(b)
Deferred Payment Charge (Per Month)	1.50%	(c)
Main Extension and Additional Facilities Agreements	(a)	(a)
Deferred Payment	1.50%	1.50%
Late Charge Per Month	1.50%	1.50%

* Per Commission Rules (R14-2-603(B))

** Per Rule R14-2-603(D)—Months off system times monthly minimum

(a) Cost to include parts, labor, overhead, and all applicable taxes, including income tax if applicable

(b) Staff considers this charge to be a duplication of the "Late Charge Per Month."

(c) Staff considers this charge to be a duplication of the "Deferred Payment" charge.

55. Picacho requested in its objections to the Staff Report that all references to "effluent" in its wastewater tariff be changed to "recycled water," as it believes that the term "effluent" sends the wrong message by denoting a low quality waste product rather than a highly valuable resource. Picacho reiterated at hearing that it would prefer to use the term recycled water, although it

acknowledged that the ADEQ rules do not use that term. (Tr. at 55, lines 17-25; Tr. at 56, lines 1-10.) Staff testified that it uses the term "effluent" because that is what is used by ADWR and ADEQ. (Tr. at 90, lines 18-25; Tr. at 91, lines 1-2.) In this Order, we use the term "reclaimed water" to be consistent with ADEQ's use of the term in 18 A.A.C. 11, Article 3, "Reclaimed Water Quality Standards," and 18 A.A.C. 9, Article 7, "Direct Reuse of Reclaimed Water."⁶

56. Staff has recommended that Picacho Water and Picacho Utilities each file a rate application no later than their sixth year of operations, using the fifth year as the test year.

Accounting

57. Staff has recommended that Picacho maintain its books and records in accordance with the National Association of Regulatory Utility Commissioners ("NARUC") Uniform System of Accounts for Water and Wastewater Utilities.

58. Staff has recommended that Picacho Water use the water depreciation rates by individual NARUC category as delineated in the Staff Report.

59. Staff has recommended that Picacho Utilities adopt Staff's wastewater depreciation rates and use these rates by individual NARUC category as delineated in the Staff Report.

Customer Billing

60. Staff has stated that customer bills for Picacho's affiliates may confuse customers, because charges for water and sewer services are both included, but the bills do not clearly state that they are bills for both water and sewer service. In addition, Staff has stated that the bills do not state that the same customer service number can be used for both water and sewer service and do not mention the Commission or include the Commission's phone numbers.

61. Staff has recommended that Picacho's bills clearly indicate the charges billed by each company, name the Commission, and include the Commission's phone numbers (800-222-7000 outside the Phoenix area and 800-535-0148 outside the Tucson area) and that Picacho file a copy of the bills, in a form acceptable to Staff, as a compliance item in this docket within three months after the date of this Order.

⁶ In A.A.C. R18-11-301 and R18-9-701, ADEQ defines "reclaimed water" consistently with A.R.S. § 49-201(31), which defines it as "water that has been treated or processed by a wastewater treatment plant or an on-site wastewater treatment facility."

1 **208 Plan Amendment**

2 62. Picacho Utilities applied for a Section 208 permit from the Central Arizona
3 Association of Governments on August 29, 2006, but had not received it as of the date of hearing.
4 (Tr. at 54, lines 8-12.)

5 **Local Franchise**

6 63. Picacho has indicated that it will need to obtain franchises from Pinal County to serve
7 the CC&N area and that it will apply in 2008. (Tr. at 53, lines 23-25; Tr. at 54, lines 1-7.)

8 64. Staff has recommended that Picacho Water and Picacho Utilities file with Docket
9 Control, as a compliance item in this docket, within 365 days after the effective date of this Order, a
10 copy of their Pinal County franchises.

11 **Compliance with Arizona Department of Environmental Quality ("ADEQ") Requirements**

12 65. According to the Staff Report, Picacho Water has not yet received its Approval to
13 Construct for construction of the water facilities planned to serve the requested CC&N area.

14 66. Staff has recommended that Picacho Water file with Docket Control, as a compliance
15 item in this docket, when received by Picacho Water within two years after the effective date of this
16 Order, copies of the Approval to Construct for Phase 1 of the initial phase of the Picacho Citrus and
17 Langley Picacho Views developments.

18 67. According to the Staff Report, water quality test results show the arsenic level for one
19 of Picacho Water's well sources to be at 22 parts per billion ("ppb"), more than twice the 10 ppb
20 maximum contaminant level ("MCL") for arsenic established by the EPA. Staff testified that, subject
21 to ADEQ approval, Picacho Water could use either an arsenic treatment facility or a blending plan to
22 bring the well's water into compliance with the arsenic MCL, but that blending would be a better
23 option if it is more cost effective. (Tr. at 97, lines 1-12 and 24-25; Tr. at 98, lines 1-4.)

24 68. Staff has recommended that Picacho Water file with Docket Control, as a compliance
25 item in this docket, within two years after the effective date of this Order, either (1) a copy of an
26 Approval to Construct for an arsenic treatment system or (2) a copy of an ADEQ approval of its
27 arsenic blending plan.

28 69. According to the Staff Report, Picacho Utilities has not yet received its General

1 Permits for Phase 1 of the initial phase of the wastewater system for the Picacho Citrus and Langley
2 Picacho Views developments. Mr. Graham Symmonds, Senior Vice President of Regulatory Affairs
3 and Chief Technical Officer for Global Water Management, testified that this is a General Permit
4 4.01, a standard collection system construction permit for sewer systems. (Tr. at 49, lines 15-24.)

5 70. Staff has recommended that Picacho Utilities file with Docket Control, as a
6 compliance item in this docket, within two years after the effective date of this Order, copies of the
7 General Permits for the collection system for Phase 1 of the initial phase of the Picacho Citrus and
8 Langley Picacho Views developments.

9 71. Mr. Symmonds testified that Picacho Utilities will apply to ADEQ for an Arizona
10 Point Discharge Elimination System permit for any discharge of reclaimed water to the water of the
11 United States and an Aquifer Protection Permit for its water reclamation facility. (Tr. at 49, lines 3-
12 9.)

13 72. Staff has recommended that Picacho Utilities file with Docket Control, as a
14 compliance item in this docket, within two years after the effective date of this Order, a copy of its
15 Aquifer Protection Permit.

16 **Compliance with Arizona Department of Water Resources ("ADWR") Requirements**

17 73. According to the Staff Report, the requested CC&N area is located in the Pinal Active
18 Management Area ("AMA") and will be subject to the Pinal AMA reporting and conservation
19 requirements.

20 74. Mr. Symmonds testified that Picacho Water will apply to ADWR in 2008 for a
21 Designation of Assured Water Supply for the CC&N area. (Tr. at 51, lines 4-16.)

22 75. Staff has recommended that Picacho Water file with Docket Control, as a compliance
23 item in this docket, within two years after the effective date of this Order, a copy of the Designation
24 of Assured Water Supply for the requested CC&N area.

25 **Groundwater Use in the CC&N Area**

26 76. Picacho advocates groundwater conservation through what it calls the "triad of
27 conservation": (1) reusing reclaimed water for non-potable uses such as landscape irrigation and
28 flushing toilets; (2) introducing renewable surface water sources to the maximum extent feasible; and

1 facilities will be constructed so that excess reclaimed water is returned to the aquifer for later use.
2 Picacho Water plans to use groundwater for the initial phases of development, but Picacho states that
3 the CC&N area is close to the CAP canal and that there may be opportunities to use surface water in
4 the future, especially if there is additional growth in the region. Picacho also indicated that it is
5 committed to having reclaimed water used for public area irrigation and that it may ultimately
6 provide reclaimed water to residences for use in flushing toilets and landscape irrigation. (Tr. at 78,
7 lines 12-24; Tr. at 86, lines 12-24.)

8 77. Picacho's ultimate parent, Global Water Resources, LLC, has a Code of Practice for
9 Irrigation and Land Use Requirements, which is designed to minimize the use of groundwater and
10 maximize the use of reclaimed water. The Code of Practice assumes 15% open space per 640-acre
11 Section and requires a minimum configuration for that open space of 22% turf, 75% xeriscape, and
12 3% retention structure. The Code of Practice states that changing the configuration is possible if the
13 reclaimed water balance proves a more optimum configuration.

14 78. In recent months, the Commission has become increasingly concerned about the
15 prolonged drought in Central Arizona. Therefore, we believe that Picacho should be required to
16 conserve groundwater and that Picacho should be prohibited from selling groundwater for the
17 purpose of irrigating any future golf courses within the certificated area or any ornamental lakes or
18 water features located in the common areas of the proposed new developments within the certificated
19 area.

20 **Compliance with Tax Laws**

21 79. Because an allowance for property tax expense is included in Picacho Water's rates
22 and will be collected from its customers, the Commission seeks assurances from Picacho Water that
23 any taxes collected from ratepayers have been remitted to the appropriate taxing authority. It has
24 come to the Commission's attention that a number of water companies have been unwilling or unable
25 to fulfill their obligation to pay the taxes that were collected from ratepayers, some for as many as 20
26 years. It is reasonable, therefore, that as a preventive measure Picacho Water shall annually file, as
27 part of its annual report, an affidavit with the Utilities Division attesting that Picacho Water is current
28 in paying its property taxes in Arizona.

Staff's Recommendation for Approval/Denial

80. Staff believes it is in the public interest for the Commission to grant new CC&Ns to Picacho Water and Picacho Utilities and recommends approval of the application. Staff also recommends that Picacho be required to comply with the recommendations in Finding of Fact Nos. 48, 56-59, 61, 64, 66, 68, 70, 72, and 75.

CONCLUSIONS OF LAW

1. On beginning operations, Picacho Water and Picacho Utilities will be public service corporations within the meaning of Article XV of the Arizona Constitution and A.R.S. § 40-281 *et seq.*

2. The Commission has jurisdiction over Picacho Water and Picacho Utilities and the subject matter of the application.

3. Notice of the application and the hearing thereon was provided in accordance with the law.

4. There is a public need and necessity for water utility service and wastewater utility service in the CC&N area described and shown in Exhibit A.

5. Picacho Water and Picacho Utilities are fit and proper entities to receive CC&Ns to provide water utility service and wastewater utility service in the CC&N area described and shown in Exhibit A.

6. The Commission is not making any determination on the issue of the validity of ICFA's in this Order and will take appropriate action regarding the ICFA's discussed in this docket, if necessary, after resolution of the ICFA issue in other dockets.

7. Staff's recommendations set forth in Finding of Fact Nos. 56-59, 61, 64, 66, 68, 70, 72, and 75 are reasonable and should be adopted.

8. The rates and charges ordered below are just and reasonable.

ORDER

IT IS THEREFORE ORDERED that the application of Global Water – Picacho Cove Utilities Company for a Certificate of Convenience and Necessity to provide wastewater utility services in Pinal County, Arizona, is hereby approved as to the areas described and shown in Exhibit A, attached

hereto and incorporated herein by reference, subject to the conditions and requirements outlined in the following ordering paragraphs.

IT IS FURTHER ORDERED that the application of Global Water – Picacho Cove Water Company for a Certificate of Convenience and Necessity to provide water utility services in Pinal County, Arizona, is hereby approved as to the areas described and shown in Exhibit A, subject to the conditions and requirements outlined in the following ordering paragraphs.

IT IS FURTHER ORDERED that Global Water – Picacho Cove Utilities Company shall file with Docket Control, as a compliance item in this docket, within 30 days after the effective date of this Decision, a tariff containing the following rates and charges for wastewater utility services:

MONTHLY CUSTOMER CHARGE

5/8" x 3/4" Meter	\$80.00
3/4" Meter	\$80.00
1" Meter	\$200.25
1½" Meter	\$400.50
2" Meter	\$640.75
3" Meter	\$1201.25
4" Meter	\$2002.00
6" Meter	\$4004.25

RECLAIMED WATER SALES

Reclaimed Water, per acre foot (for general irrigation)	\$900.00
Reclaimed Water, per 1,000 gallons (for general irrigation)	\$2.76

SERVICE CHARGES

Establishment of Service	
During Normal Business Hours	\$30.00
After Hours	\$50.00
Reestablishment of Wastewater Utility Service	
(Within 12 Months of Service Disconnection)	**
Reconnection of Wastewater Utility Service	\$30.00
After Hours Service Charge, Per Hour	\$0
After Hours Service Charge, Flat Rate	\$50.00
Minimum Security Deposit	*
NSF Check Charge	\$35.00
Late Payment Charge for Delinquent Bill (Per Month)	1.50%

Deferred Payment Charge (Per Month)	1.50%
Main Extension and Additional Facilities	(a)
Agreements	
Deferred Payment	N/A ⁷
Late Charge Per Month	N/A ⁸

* Per Commission Rules (R14-2-603(B))

** Per Rule R14-2-603(D)—Months off system times monthly minimum

(a) Cost to include parts, labor, overhead, and all applicable taxes, including income tax if applicable

IT IS FURTHER ORDERED that the rates and charges authorized herein shall be effective for all wastewater utility services rendered in the areas described in Exhibit A until otherwise ordered by the Arizona Corporation Commission.

IT IS FURTHER ORDERED that Global Water – Picacho Cove Water Company shall file with Docket Control, as a compliance item in this docket, within 30 days after the effective date of this Decision, a tariff containing the following rates and charges for water utility services:

MONTHLY CUSTOMER CHARGE

5/8" x 3/4" Meter	\$27.00
3/4" Meter	\$27.00
1" Meter	\$73.75
1½" Meter	\$147.50
2" Meter	\$236.00
3" Meter	\$472.00
4" Meter	\$737.50
6" Meter	\$1,475.00

Gallons Included in Monthly Customer Charge 0

COMMODITY CHARGES – PER 1,000 GALLONS OF USAGE

5/8" x 3/4" & 3/4" Meter (Residential)

From 1 to 3,000 Gallons	\$2.80
From 3,001 to 8,000 Gallons	\$3.80
Over 8,000 Gallons	\$4.72

5/8" x 3/4" & 3/4" Meter (Commercial & Industrial)

From 1 to 8,000 Gallons	\$4.00
Over 8,000 Gallons	\$5.00

1" Meter (Residential, Commercial, & Industrial)

From 1 to 25,000 Gallons	\$4.00
Over 25,000 Gallons	\$5.00

1 1½" Meter (Residential, Commercial, &
2 Industrial)

From 1 to 50,000 Gallons	\$4.00
Over 50,000 Gallons	\$5.00

4 2" Meter (Residential, Commercial, & Industrial)

From 1 to 80,000 Gallons	\$4.00
Over 80,000 Gallons	\$5.00

6 3" Meter (Residential, Commercial, & Industrial)

From 1 to 150,000 Gallons	\$4.00
Over 150,000 Gallons	\$5.00

9 4" Meter (Residential, Commercial, & Industrial)

From 1 to 250,000 Gallons	\$4.00
Over 250,000 Gallons	\$5.00

11 6" Meter (Residential, Commercial, & Industrial)

From 1 to 500,000 Gallons	\$4.00
Over 500,000 Gallons	\$5.00

13 SERVICE LINE AND METER
14 INSTALLATION CHARGES

(Refundable pursuant to A.A.C. R14-2-405)

	Services	Meters	Total
5/8" x 3/4" Meter	\$355	\$85	\$440
3/4" Meter	\$355	\$165	\$520
1" Meter	\$405	\$205	\$610
1½" Meter	\$440	\$415	\$855
2" Meter (Turbine)	\$600	\$915	\$1,515
2" Meter (Compound)	\$600	\$1,640	\$2,240
3" Meter (Turbine)	\$775	\$1,420	\$2,195
3" Meter (Compound)	\$815	\$2,215	\$3,030
4" Meter (Turbine)	\$1,110	\$2,250	\$3,360
4" Meter (Compound)	\$1,170	\$3,145	\$4,315
6" Meter (Turbine)	\$1,670	\$4,445	\$6,115
6" Meter (Compound)	\$1,710	\$6,180	\$7,890

22 SERVICE CHARGES:

Establishment of Service	
During Normal Business Hours	\$30.00
After Hours	\$50.00
Reestablishment of Water Utility Service	
(Within 12 Months of Service Disconnection)	
During Normal Business Hours	**
After Hours	** + \$50.00
Reconnection of Water Utility Service	
During Normal Business Hours	\$30.00

After Hours	\$50.00
Disconnection of Water Utility Service	\$0
Meter Test (If Correct)	\$20.00
Customer Deposit (Residential & Nonresidential)	*
Deposit Interest	*
NSF Check Charge	\$35.00
Deferred Payment (Per Month)	1.50%
Late Payment Charge for Delinquent Bill (Per Month)	1.50%
Meter Re-Read (If Correct)	\$25.00
Customer Requested Meter Relocation	(a)
Late Charge Per Month	N/A ⁹
Fire Sprinkler, Monthly Service Charge	(b)

* Per Commission Rules (R14-2-403(B))

** Per Rule R14-2-403(D)—Months off system times monthly minimum

(a) Cost to include parts, labor, overhead, and all applicable taxes, including income tax if applicable

(b) One percent (1%) of monthly minimum for a comparable sized meter connection, but no less than \$5.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

IT IS FURTHER ORDERED that the rates and charges authorized herein shall be effective for all water utility services rendered in the areas described in Exhibit A until otherwise ordered by the Arizona Corporation Commission.

IT IS FURTHER ORDERED that Global Water – Picacho Cove Utilities Company and Global Water – Picacho Cove Water Company shall file with Docket Control, as a compliance item in this docket, within three months after the effective date of this Order, a copy of a bill or bills for both companies, in a form acceptable to Staff, which bill or bills shall clearly indicate the charges billed by each company, shall state that the same customer service number can be used for both companies, shall name the Commission, and shall include the Commission's phone numbers (800-222-7000 outside the Phoenix area and 800-535-0148 outside the Tucson area).

IT IS FURTHER ORDERED that Global Water – Picacho Cove Utilities Company and Global Water – Picacho Cove Water Company shall file with Docket Control, as a compliance item in this docket, within 365 days after the effective date of this Order, copies of the companies' Pinal County franchises.

1 IT IS FURTHER ORDERED that Global Water – Picacho Cove Utilities Company shall file
2 with Docket Control, as compliance items in this docket, within two years after the effective date of
3 this Order, the following:

4 a. Copies of Global Water – Picacho Cove Utilities Company’s General Permits
5 for the collection system for Phase 1 of the initial phase of the Picacho Citrus and Langley Picacho
6 Views developments, and

7 b. A copy of Global Water – Picacho Cove Utilities Company’s Aquifer
8 Protection Permit.

9 IT IS FURTHER ORDERED that Global Water – Picacho Cove Water Company shall file
10 with Docket Control, as compliance items in this docket, within two years after the effective date of
11 this Order, the following:

12 a. Copies of Global Water – Picacho Cove Water Company’s Approval to
13 Construct for Phase 1 of the initial phase of the Picacho Citrus and Langley Picacho Views
14 developments;

15 b. Either (i) a copy of Global Water – Picacho Cove Water Company’s Approval
16 to Construct for an arsenic treatment system or (ii) a copy of Global Water – Picacho Cove Water
17 Company’s ADEQ approval of an arsenic blending plan; and

18 c. A copy of Global Water – Picacho Cove Water Company’s Designation of
19 Assured Water Supply for the areas described and shown in Exhibit A.

20 IT IS FURTHER ORDERED that the companies shall each file a rate application no later than
21 their sixth year of operations, using the fifth year as the test year.

22 IT IS FURTHER ORDERED that the companies shall maintain their books and records in
23 accordance with the National Association of Regulatory Utility Commissioners Uniform System of
24 Accounts for Water and Wastewater Utilities.

25 IT IS FURTHER ORDERED that Global Water – Picacho Cove Utilities Company shall use
26 the wastewater depreciation rates by individual National Association of Regulatory Utility
27 Commissioners category as delineated in the Staff Report.

28 IT IS FURTHER ORDERED that Global Water – Picacho Cove Water Company shall use

the water depreciation rates by individual National Association of Regulatory Utility Commissioners category as delineated in the Staff Report.

IT IS FURTHER ORDERED that, in light of the ongoing drought conditions in Central Arizona and the need to conserve groundwater, Global Water – Picacho Cove Water Company is prohibited from selling groundwater for the purpose of irrigating any future golf courses within its certificated area or any ornamental lakes or water features located in the common areas of the proposed new developments within the certificated area.

IT IS FURTHER ORDERED that Global Water – Picacho Cove Water Company shall annually file, as part of its annual report, an affidavit with the Utilities Division attesting that it is current on paying its property taxes in Arizona.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this ____ day of _____, 2008.

BRIAN C. McNEIL
EXECUTIVE DIRECTOR

DISSENT _____

DISSENT _____

SNH:db

SERVICE LIST FOR:

GLOBAL WATER – PICACHO COVE UTILITIES
COMPANY AND GLOBAL WATER – PICACHO
COVE WATER COMPANY

DOCKET NOS.:

SW-20494A-06-0769 and W-20495A-06-0769

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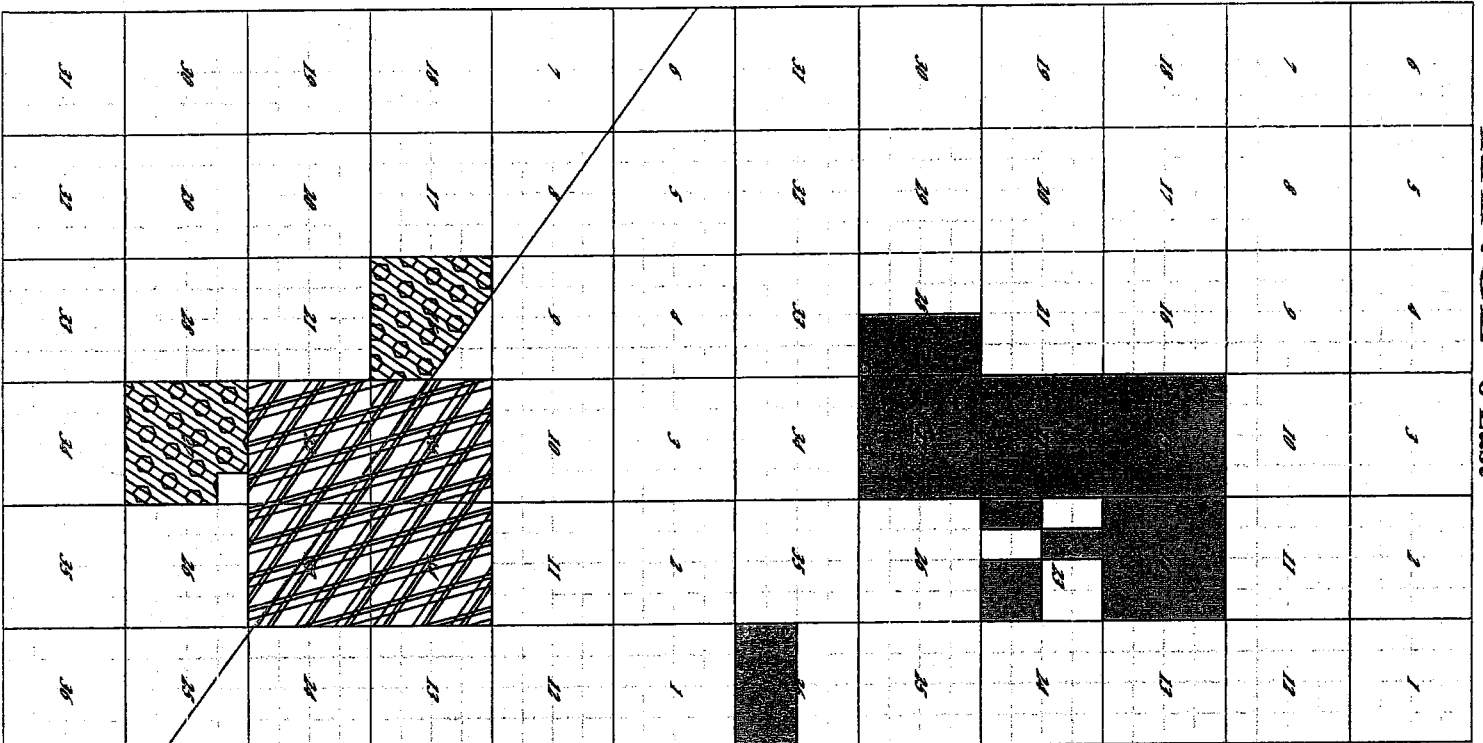
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EXHIBIT A

RANGE 8 East



TOWNSHIP 7 South

COUNTY: Pinal

W-1774

Picacho Water Improvement Corporation

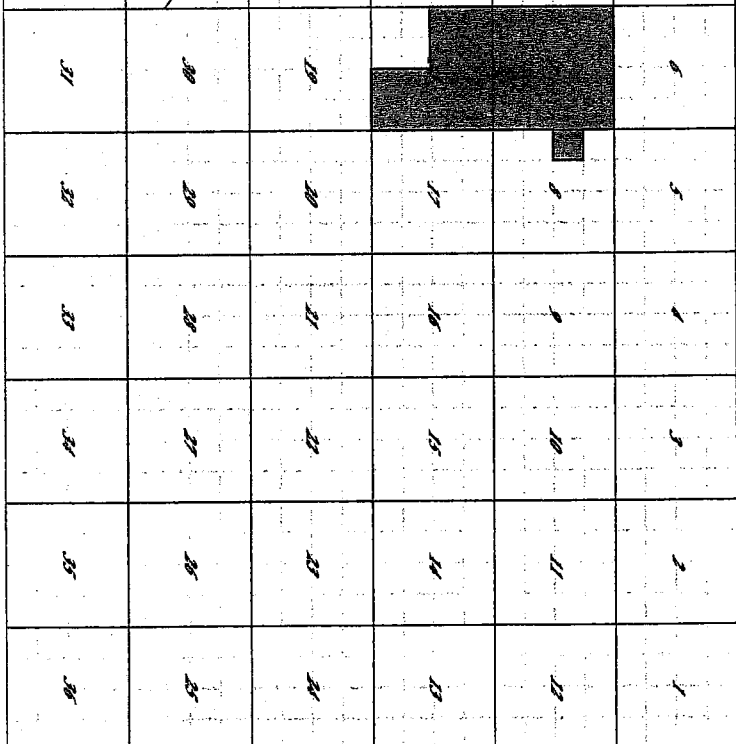
W-2485

Spring Branch Water Company, Inc.

Villa Grande Domestic Water Improvement District
(Nonjurisdictional)

Picacho Core Utilities Company
Docket No. SW-20494A-06-0769
Picacho Core Water Company
Docket No. W-20495A-06-0769
Application for CC&N

RANGE 9 East



TOWNSHIP 8 South

EXHIBIT A
LEGAL DESCRIPTION OF THE REAL PROPERTY

PARCEL NO. 1:

The Northwest quarter of the Northwest quarter (also known as Lot 1), the West half of the Southwest quarter (also known as Lots 3 and 4), the Northeast quarter of the Northwest quarter; the Northwest quarter of the Northeast quarter; the East half of the Southwest quarter; the West half of the Southeast quarter; and the Southeast quarter of the Southeast quarter all in Section 7, Township 8 South, Range 9 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona;

EXCEPT an undivided 1/8th interest in and to all minerals, oil and gas in and under said premises as reserved in Deed recorded April 24, 1952, in Docket 60, page 41, records of Pinal County, Arizona.

PARCEL NO. 2

The Northeast quarter of the Northeast quarter of Section 7, Township 8 South, Range 9 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

PARCEL NO. 3

The Southeast quarter of the Northwest quarter of Section 7, Township 8 South, Range 9 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona

EXCEPT an undivided 1/8th interest in and to all minerals, oil and gas in and under said premises as reserved in Deed recorded April 24, 1952 in Docket 60, page 45, records of Pinal County, Arizona.

PARCEL NO. 4:

The East half of the Northwest quarter of Section 18, Township 8 South, Range 9 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona

PARCEL NO. 5:

The Southwest quarter of the Northwest quarter (also known as Lot 2), the South half of the Northeast quarter and the Northeast quarter of the Southeast quarter of Section 7, Township 8 South, Range 9 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona;

EXCEPT 1/16th interest of all gas, oil, metal and mineral rights as reserved unto the State of Arizona in Patent recorded in Docket 432, Page 321, records of Pinal County, Arizona; and

EXCEPT an undivided 1/8th interest in and to all minerals, oil and gas in and under said premises as reserved in Deed recorded April 24, 1952 in Docket 60, page 41 records of Pinal County, Arizona.

PARCEL NO. 6:

The Northeast quarter of Section 18, Township 8 South, Range 9 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona;

EXCEPT an undivided 1/8th interest in and to all minerals, oil and gas in and under said premises as reserved in Deed recorded April 24, 1952, in Docket 60, page 41, records of Pinal County, Arizona.

PARCEL NO. 7:

The West half of the Northwest quarter (also known as Lots 1 and 2) of Section 18, Township 8 South, Range 9 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

PARCEL NO. 8:

A portion of the Southwest quarter of Section 18, Township 8 South, Range 9 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona, more particularly described as follows:

Commencing at the Southwest corner of said Section 18, being found a GLO brass cap, from whence the South quarter corner of said Section 18, being found a 2-inch brass cap, bears South 89 degrees 56 minutes 44 seconds East, a distance of 2507.07 feet;

thence North 00 degrees 28 minutes 12 seconds East, along the West line of Section 18, a distance of 2541.72 feet to the POINT OF BEGINNING;

thence continuing North 00 degrees 28 minutes 12 seconds East, a distance of 100.00 feet to the West quarter corner of said Section 18, being found a 1/2-inch pipe;

thence South 89 degrees 53 minutes 41 seconds East, along the East-West mid-section line of said Section 18, a distance of 2482.73 feet to the center of said Section 18;

thence South 00 degrees 03 minutes 29 seconds East, along the North-South mid-section line of said Section 18, a distance of 53.00 feet;

thence South 89 degrees 01 minutes 16 seconds West, a distance of 2483.96 feet to the POINT OF BEGINNING.

EXHIBIT B
LEGAL DESCRIPTION OF THE GRANTEE PROPERTY

PARCEL NO 1:

The South half of the South half of Section 36 (also known as Lots 1,2,3 and 4) AND
The North half of the South half of Section 36, Township 7 South, Range 8 East of the Gila and
Salt River Base and Meridian, Pinal County, Arizona.

PARCEL NO. 2:

The Southwest quarter of the Northwest quarter of Section 8, Township 8 South, Range 9 East of
the Gila and Salt River Base and Meridian, Pinal County, Arizona.

EXCEPTING from the above an undivided 1/8 interest in and to all minerals, oil and gas in and
under said premises as reserved in Deed from Laurie H. Payne and W. A. Payne to Tony M.
Coury and Carmen Coury, his wife and Albert M. Coury and Yvonne Coury, his wife, recorded
April 24, 1952 in Docket 60, page 45, records of Pinal County, Arizona.

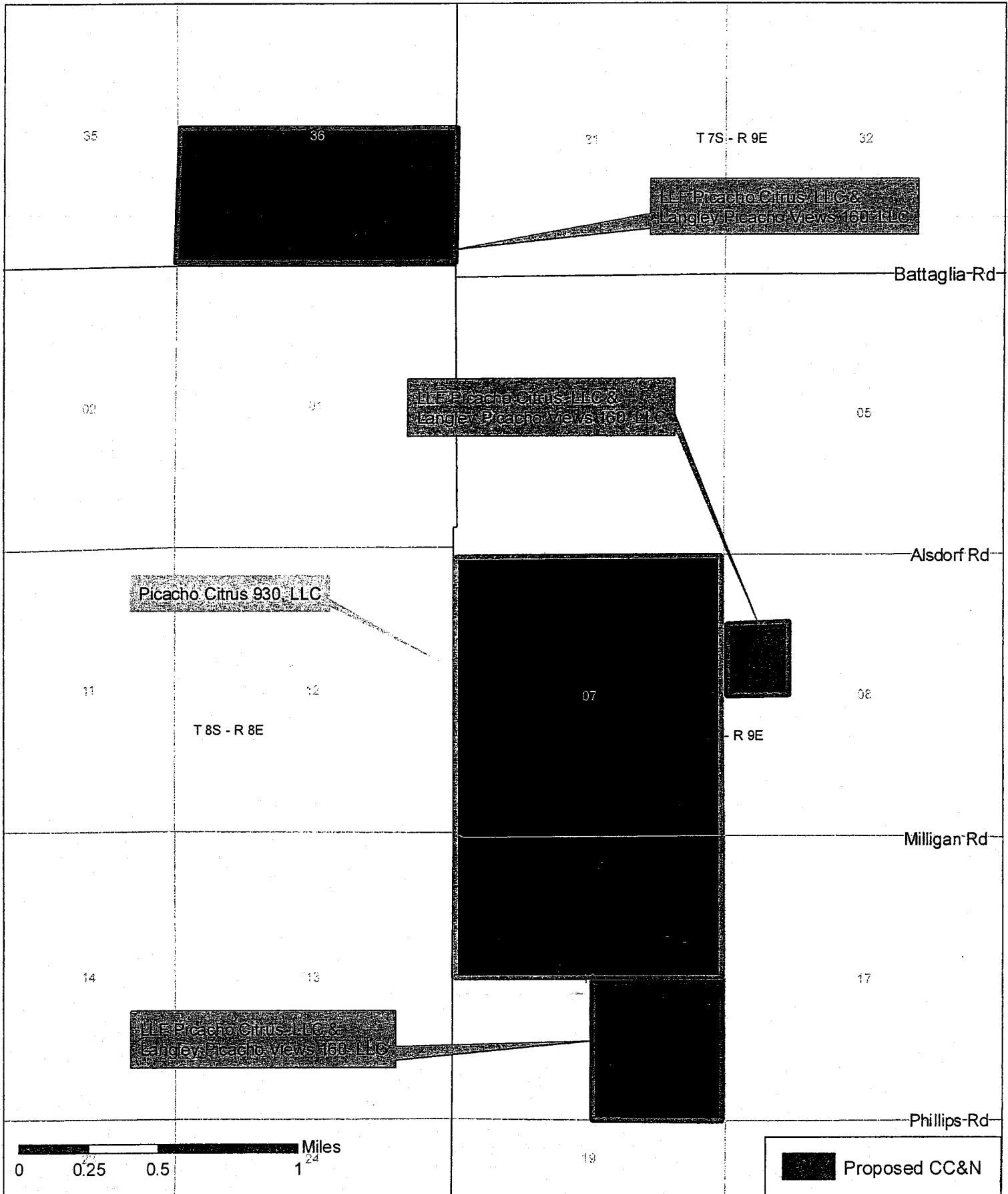
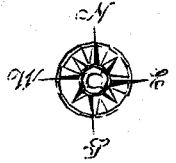
PARCEL NO.3:

The Southeast quarter of Section 18, Township 8 South, Range 9 East of the Gila and Salt River
Base and Meridian, Pinal County, Arizona;

EXCEPT an undivided 1/8th interest in and to all minerals, oil and gas in and under said premises
as reserved in Deed recorded April 24, 1952, in Docket 60, page 41, records of Pinal County,
Arizona.



Property Ownership in the Proposed CC&N Area of Picacho Cove Water Company and Picacho Cove Utilities Company





Proposed Land Use in the Proposed CC&N Area of Picacho Cove Water Company and Picacho Cove Utilities Company

